

**Southwest Local School District**  
**Five Year Forecast – Assumptions**  
*Fiscal Year 2024*

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**INTRODUCTION**

Per the Ohio Revised Code, public school districts in the State of Ohio are required to submit a Five-Year Financial Forecast in November and May of the fiscal year. School Districts operate on a fiscal year running from July 1<sup>st</sup> – June 30<sup>th</sup>. The forecast includes revenues, expenditures, excess/deficit line items, estimated encumbrances, and the projected fiscal year end cash balance. The forecast includes three years of historical/actual data and five years of projected estimates.

***Understanding the Forecast:***

A forecast is a tool used by the Board of Education to illustrate the projected financial position of the school district in upcoming years. Due to the unknowns' in future economic conditions and assumptions, the forecast is an ever changing document. Overall, the forecast needs to be reviewed based on future trends and percentages, rather than specific amounts. Many projections are based on the information provided by the County Auditor, State Auditor, Ohio Department of Taxation, Department of Education, and partnership companies.

Revenue unknowns and variables, include, but are not limited to, enrollment, property valuation, new construction, tangible personal property tax laws, and interest rates. State funding is based on a biennium budget, which will change every two years (meaning state revenue cannot confidently be projected beyond the biennium budget). Expenditures unknowns include, but are not limited to, staffing levels, retirements, healthcare fluctuations, utility costs, and community school enrollment.

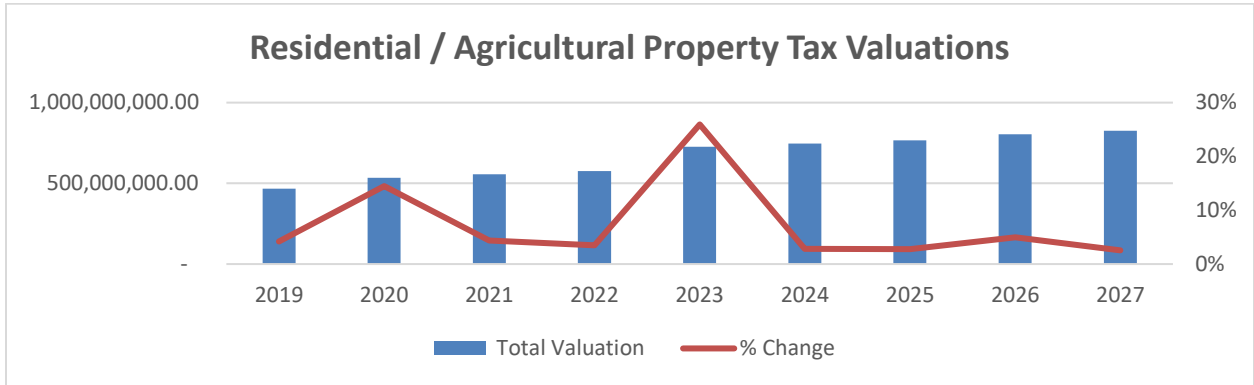
Fluctuations in revenues & expenditures in the current year of the forecast, do not only affect the current year, but substantially compound and affect the future years of the forecast.

**REVENUES:**

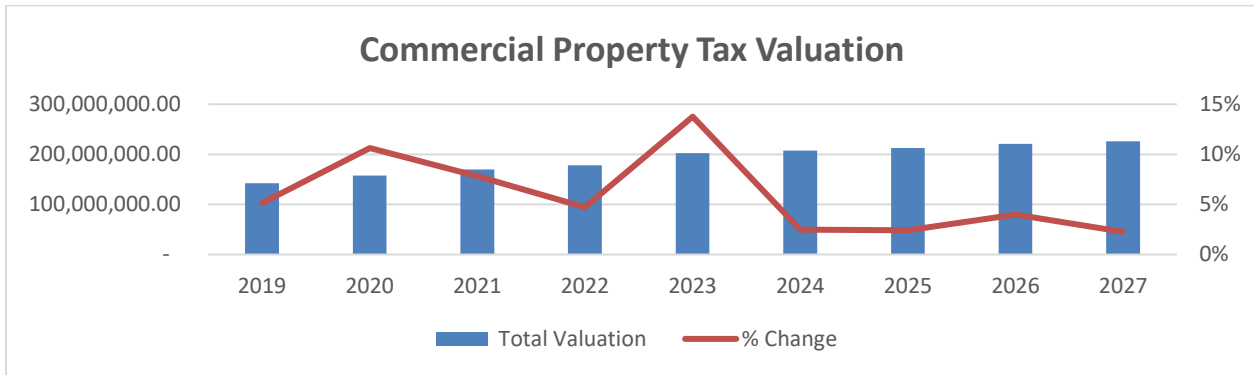
***General Property Tax (Real Estate) & Tangible Personal Property Tax***

Southwest is projecting strong growth in residential property tax valuations. Residential property tax valuations are expected to grow significantly from tax year 2023 through 2027. Below depicts the tax valuation as well as the expected growth in each year as a percent; years 2019-2022 are actuals and years 2023-2027 are projected. The district expects to collect the minimum statutory millage (20 mills) for residential property taxes in tax year 2023 and beyond. Total assessed valuations are expected to rise 27% in tax year 2023 for residential and agricultural valuations. House Bill 187 could have a substantial impact on tax valuations if passed, possibly lowering revenues in this forecast materially. If the 20 mill tax floor is lowered, Southwest would see a dramatic decrease in forecasted tax revenue, materially altering our financial outlook.

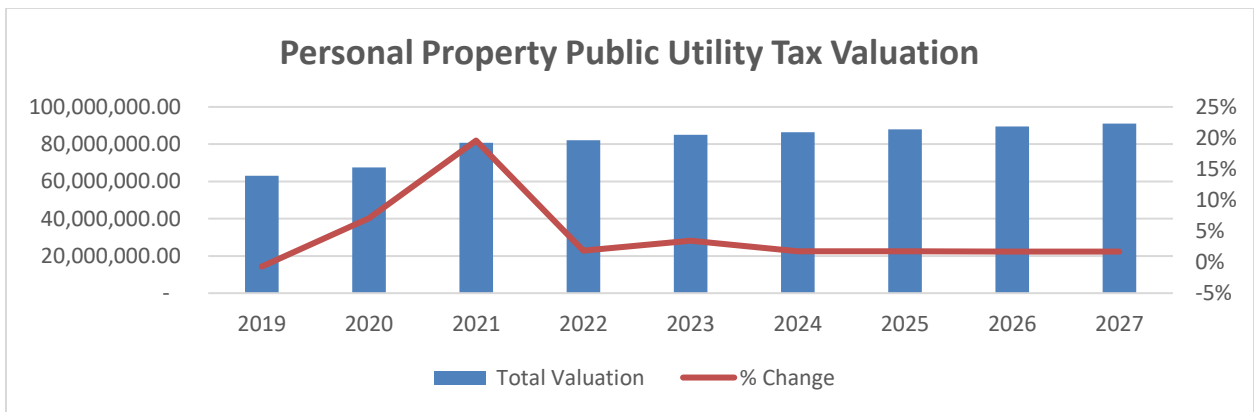
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Commercial property tax valuations are expected to grow at 14% for tax year 2023 and at an average of 3% for years beyond. Below illustrates expected growth in commercial property taxes, as well as historical growth for tax years 2019-2022, with tax years 2023-2027 being projected.



Public utility personal property (PUPP) tax valuations are expected to grow at 2% for tax years 2023-2027. Below illustrates expected growth in PUPP valuations, years 2019-2022 are actuals and 2023-2027 are projected.



*Earned Income Tax*

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The community of Southwest LSD approved a 0.75% continuing earned income tax in November 2006. The earned income tax was the last general fund voted tax increase. The earned income tax revenue has historically been increasing as a percentage of the overall general fund revenues. Earned income tax provides a significant portion of general fund resources and is highly dependent on local economic conditions. Three year averages have been used to predict future growth.

<b>Fiscal Year</b>	<b>Total Income Tax</b>
2019	4,715,629
2020	5,160,750
2021	5,217,116
2022	6,108,376
2023	6,809,820
2024	6,709,623
2025	7,200,000
2026	7,700,000
2027	8,100,000
2028	8,500,000

\* Fiscal  
 Year 2025-  
 2028 are  
 projected

*Unrestricted Grants-in-Aid*

The State of Ohio funds public school districts on a two-year cycle, referred to as the biennium budget. Projecting state funds beyond the two-year budget is challenging since the reliance on these funds is based on future, unknown legislation. Funding public school districts in Ohio has been a controversial topic for decades, evident by the Ohio Supreme Court ruling school state funding unconstitutional on at least three different occasions.

State Funding has experienced different funding “formulas” in three of the last four biennium budgets. Fiscal year 2023 through 2028 are based on the current state funding formula.

The State’s latest biennium budget, which was approved in June 2023, created a new funding formula. All future year’s funding are based on full implementation of the existing funding formula and continued updating the base cost factor to recent years. In 2023 base cost was adjusted from 2018 base year to 2022 base year. Future budgets are based on base cost increases of 2.8% and updating to the nearest fiscal year end base cost amounts.

Casino gambling was approved by Ohio voters in 2009 with the passage of a constitutional amendment. The amendment allowed for four casinos to be located around the State. Thirty-four percent (34%) of the gross casino revenue goes into the County Student Fund. Money is distributed from this fund to all school districts in Ohio based upon student populations as certified by the

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Department of Education. The Ohio Department of Taxation receives a student count by county and by district within the county. Money is remitted directly to the school districts. The District received \$201,989 in fiscal year 2018, and \$212,163 in fiscal year 2019, and \$170,728 in fiscal year 2020. Fiscal year 2021 was \$177,095, fiscal year 2022 was \$272,202 and fiscal year 2023 was \$287,100. It is expected that growth in casino tax revenues will continue to grow at average pace.

*Restricted Grants-in-Aid*

Through the State funding formula the District receives funding for economically disadvantaged students and for the offering of career technical education programs. The funding received through these two items are restricted on how it can be spent. The District also receives restricted funds from the State through the catastrophic cost program.

Economically disadvantaged funding is provided by the State to address economic disadvantage (poverty) and its effects on educational outcomes. Funding is based on the number of students who qualify for the free or reduced lunch program. Those that qualify are considered economically disadvantaged. This represents students in poverty, but also students of families with low incomes.

The District has seen a slight increase in economically disadvantaged students from 34% to 37%

The District received \$1,289,200 in state restricted funds in 2023 and expects to receive \$1,407,291 in state restricted funds in 2024. These changes are based on changes to the state foundation funding formula.

*Property Tax Allocation*

Homestead and rollback payments are anticipated to slightly increase based on increased property valuations over the life of the forecast. These changes are based on current laws in place at the time of this forecast.

*All Other Operating Revenue*

All other revenue includes revenue from open enrollment, tax increment funding agreements with the City of Harrison and Harrison Township, extra-curricular fees, interest income, Medicaid payments, rentals, and donations. This category is expected to increase to \$3,250,000 in fiscal year 2024 from \$3,361,048 in fiscal year 2023. This increase is primarily driven kindergarten tuition as well as increases in investment income. It is anticipated that fiscal year 2024 will receive \$700,000 less than anticipated at the October forecast due to Medicaid payment timing. This will temporarily inflate fiscal year 2025 figures by \$700,000 and should return to normal in fiscal year 2026.

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**EXPENDITURES:**

*Personal Services*

Educational institutions in the state of Ohio, including public school districts, are service based industries. As a result of being a service-based industry, the majority of expenditures for school districts are salaries and benefits. Beginning in fiscal year 2021, the district eliminated one of the three health care plans offered, the PPO100 plan, decreasing total health insurance cost by \$170,000 in fiscal year 2022.

In total, personal services are projected to increase in fiscal year 2024 as a result of additional staff and increases reflected in the negotiated agreement. Increases for future years are based on the negotiated agreements. Current projections are based on total annual increases for certified staff at 2% for 2024, and 3% for 2025, and 2.25% increases for 2026, 2% in 2027 and 1% in 2028. However, no bargaining agreements are in place for years 2025 through 2028. Classified staff increases for 2024 are based off of \$.50 per hour increases, and \$1.00 per hour in fiscal year 2025, \$.50 per hour in 2026, \$.25 per hour in 2027 thru 2028.

The current projections for salaries include allowances for the hiring of 2 intervention specialists per year, 2 general education teachers per year, and 4 additional aides. Any hiring needs above these due to enrollment growth or changes in state law would require increases to salary and benefit spending that could be materially different from current amounts.

*Fringe Benefits*

Medical insurance premiums for calendar year 2024 are scheduled to increase by 4%. A conservative estimate was projected for future years of the forecast.

The District is part of the Southwest Ohio Organization for School Health (SWOOSH) consortium. In January 2014, SWOOSH moved to a self-funded model in the hopes this will reduce our premium, fees and taxes assessed.

Also included in benefits are Medicare payments and state mandated retirement contributions to STRS and SERS, which are projected to increase due to the increase in wages. Southwest LSD is a member of the Ohio Bureau of Workers Comp.

*Purchased Services*

Similar to homeowners, there are many fixed costs incurred by School Districts such as utilities, insurance, and maintenance/repairs. Fixed costs for school districts also include legal fees, community school deductions, special needs services and substitutes.

Like many items in the forecast, there are several items which cannot be predicted in purchased services. Major items that will impact purchased services which are not known at this time include

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fuel costs, legal fees, climate changes, snow days, community school enrollment, and special needs services for potential students moving into Southwest LSD. The district re-assesses utilities on an annual basis to try to get the best rates available.

Fiscal year 2024 increases are primarily due to the addition of 3 mental health and wellness professionals, increased special education needs for occupation therapy, physical therapy, and speech therapy. These increased demands can be tough to predict as they are dependent on student needs and state law requirements.

*Supplies, Capital Outlay, and Other Expenditures*

Southwest LSD cycles curriculum items to ensure the students have updated instructional material. The curriculum cycle involves purchasing textbooks and other materials.

Other non-negotiable expenditures include fees paid to the County Auditor, Board of Election Expenses, and the Ohio Department of Taxation. These fees often rise in direct correlation with increase to tax revenues and are considered an uncontrollable expense by the district.

Supplies also contain increases for curriculum replacements which occur nearly annual and are generally purchased to cover a 6-year period.

*Capital Outlay*

Capital needs for the district have substantially decreased from fiscal year 2023. Fiscal year 2023 contained the purchase of \$900,000 in student laptops. Fiscal years 2025-2028 have student laptop replacements occurring at \$400,000 annually. Increases in enrollment could substantially impact this figure. Laptop life spans are estimated at 5 fiscal years. Other capital needs are the replacement of 2 buses annually and new special education vans every 5 to 6 years. Increases and fluctuations are based on needs developed in the capital replacement plan.

*Other Financing Uses*

Other financing uses increases dramatically in fiscal year 2025 to cover \$500,000 of construction needs at Crosby Elementary. Other costs are general fund debt obligations including QCSB bonds and a school construction lease at Crosby Elementary. QCSB Bonds are paid off in fiscal year 2026 and fiscal years 2027 thru 2028 represent only funds for the Crosby Elementary construction lease.

**CONCLUSION**

The forecast projects manageable deficit spending in current and future fiscal years. The Board of Education will have to closely monitor future fiscal years, as changes in enrollment and state law can have dramatic impacts to school funding. As noted in the assumptions, there are many

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variables that will impact these projections, including but not limited to staffing levels, tangible personal property replacement, state funding, medical insurance, community schools, and vouchers. These factors make projecting the future extremely challenging.

Please contact Thomas Lowe, Southwest LSD Treasurer (513-367-4139) / [thomas.lowe@southwestschools.org](mailto:thomas.lowe@southwestschools.org)), with questions regarding this forecast or visit [www.southwestschools.org](http://www.southwestschools.org) for more financial data.